

Oct/Nov/Dec 2016

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**CHINA &
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A Significant Visit

During Chinese President Xi Jinping's recent visit to Latin America during the month of November, the Chinese leader delivered a speech to Peru's Congress, which declared that China will continue to seek common development with Latin American countries. Part of the speech went beyond Peru-China relations and elaborated on China's foreign policy in Latin America.

During his speech, Xi quoted a patriotic saying from a hero of Peru's war of independence during the 19th century, noting that the similarities between Chinese history and that of Latin America, in which both have struggled for national independence, make it much easier for the two sides to understand and support one another in today's world. His words, however, went deeper than his usual eloquent tone of diplomatic rhetoric.

This was Xi's third tour of Latin America since taking office three years ago. The second trip in 2014 saw the Chinese president meet with all leaders of Latin American and Caribbean states and the meeting produced a regular dialogue mechanism between the two sides.

As Jiang Shixue, Vice President of the Chinese Association of Latin American Studies points out, the fact that Xi has visited 10 countries in the space of 4 years is highly symbolic of how important the region is to China. Furthermore, Jiang notes that this fact has also been picked up by media in the US, citing a report by the New York Times, which highlighted the fact that Xi has visited as many countries in 4 years as Obama has in the past 8 years.

During his speech at the Peruvian Congress, Xi said China-Latin America ties are now closer than ever, pointing out that, "We are standing at the start of a new phase. Let us contribute our mutual efforts to the establishment of a China-Latin America community of shared destiny. I'd like to make a few proposals here. Firstly, let's focus on peace and development in our relations; let's dovetail our development strategies; let's strengthen and speed up our cooperation to achieve common prosperity and finally, let's share our progress and achievement to benefit people on all sides."

Almost every Latin American country is a developing economy. Orthodox Chinese foreign policy has been viewing relations with developing countries as the foundation of China's interaction with the rest of the

world. As the leader of the world's second largest economy, the Chinese president said that China is more than willing to share the benefits of its economic development with Latin America.

To further hammer home this point, the Chinese President noted that, "China's imports will hit 8 trillion US dollars over the next five years. In the meantime, we'll make use of some 600 billion US dollars in foreign investment. Chinese overseas investment will reach 750 billion US dollars. Outbound Chinese tourists will exceed 700 million people. All these developments will provide a broader market, more capital, abundant products, and more cooperation opportunities for countries around the world, including our Latin American brothers."

However, China has also come in for criticism in terms of its trading relations with Latin American countries, especially a reliance on purchasing commodities. On this issue, Jiang Shixue feels that China is stuck between a rock and a hard place, noting that, "In the past, China bought lots of commodities from these countries. So, the prices on the world market rose very fast and that kind of thing can contribute to the rapid economic growth rate of the region."

However, as Jiang continues to point out, "In the past 1 or 2 years, China is in the so-called new normal stage. People there are concerned about

the possibility of a hard landing of the Chinese economy. We have a dilemma; in the past, China bought lots of commodities from there. So, China was criticized for the re-primarization of the economy, meaning China's purchase of commodities made it harder for the region to adjust its economic structure. Nowadays, China is buying less commodities and China is criticized again for buying less because of the new normal, slow economic growth rate. What should China do?"

Though Jiang's question is rhetorical, the Chinese government is pursuing a very deliberate policy in Latin America; not one that is overly dictated by the new normal stage of its development. China is currently the second largest trading partner for Latin America, and the region has become the second most popular destination for overseas Chinese investment.

But the realities of trade will persist and as Jiang explains, "Bilateral economic relations should be constructed on the basis of comparative advantage. So, the comparative advantage of Latin America is its commodities; that's very important. In the past several years, China has shifted away from simply purchasing commodities. China has already made a large amount of FDI in the region in agriculture, manufacturing and also building roads, bridges and other infrastructure. In the near future, China will pay more attention to its investment in the region. But this kind of comparative advantage should not be forgotten by both sides."

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Celebrating Culture in Peru

This year has been the China-Latin America Year of Cultural Exchange, and during a tour of three Latin American countries (Ecuador, Peru and Chile), the events came to a close in Peru with an exhibition of Chinese cultural relics and a photo exhibit of the history of cultural exchange between China and Latin America. Chinese President Xi Jinping and his wife Peng Liyuan attended the closing ceremony of the China-Latin America Year of Cultural Exchange along with their Peruvian counterparts.

Addressing the closing ceremony, the Chinese president expressed his hope that the cultures of the two sides could contribute more to enriching cultures on the world map. Xi also spoke highly of the significance of the cultural exchange activities over the past months in boosting bilateral cultural exchange.

Recalling his visit to Latin America in July 2014, Xi said, "I proposed the initiative to hold the China-Latin America Year of Cultural Exchange and received an enthusiastic response from the governments and people in various Latin American countries. The Tango dancing and Taichi were well coordinated with the melodies of bamboo flutes and pan-pipes. The colorful cultures and arts in China and Latin America will greatly help push forward with bilateral cultural exchange."

The Chinese leader hailed the progress in bilateral cultural exchange, which shortens the distance between the peoples who share similar experiences of suffering foreign aggression and social turmoil. The president said he believed the progressive cultural exchange between China and Latin America will also play a role in the development of the world civilization, commenting that, "As a Peruvian saying goes: without planning for the future, one could fall behind the times. The fulfillment of our dreams requires not only economic development but also cultural prosperity. The two sides should continue to deepen our cultural exchange and make it a bridge that can help enhance our friendship and contribute to world peace and human development."



For his part, Peruvian President Pedro Pablo Kuczynski suggested that there can be great cooperation potential for both sides to tap into in the area, adding that, "Both the civilizations of China and Peru have spanned thousands of years. I was inspired at the photo exhibition and understand that it is necessary to preserve ancient civilization and history while exploring new ways for cultural exchange in the future. China has done a lot in promoting cultural development and so has Peru. We have a lot of experiences to share with one another and learn from each other, which provides huge cooperation potential for us to tap into."

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The Lima Declaration

The 21 major Asia-Pacific economies have agreed to further promote economic integration, free trade and interconnectivity following the 2016 APEC economic leaders' meeting in the Peruvian capital of Lima as part of the Lima Declaration which was the product of the meeting.

The Lima Declaration lays out four aspects for economic cooperation in the Asia-Pacific region. The document compiles the feasibility studies conducted by different economies with regard to the Free Trade Area of the Asia-Pacific, or FTA-AP, marking a step forward to consolidate political support for the idea. The declaration also discusses ways to better incorporate individual workers and small-and-medium sized businesses into cross-border trade.

The document likewise addresses concerns over food security and climate change, as Asian economies, which make up more than half of all APEC members, are especially vulnerable to the rise in global temperatures. Emphasis has also been put on interconnectivity, especially ways to connect all people in the region to the internet.

Peruvian President Pedro Pablo Kuczynski has said that these mutual agreements have arrived at the right time. Whilst addressing the closing ceremony of the APEC summit, Kuczynski noted that, "The world economy is in a critical period with some major economies moving towards anti-free trade or similar stances. This APEC meeting has produced a series of proposals which will serve as measures to reverse those trends."

FTAAP has been a key topic for each annual APEC economic leaders' meeting after it was first put forward in 2010. President Kuczynski says China has been a key player in efforts to turn the idea into reality, claiming that, "There is no doubt about the important role China plays in international trade. But I want to say its role in free trade within the Asia-Pacific region, which is still an ideal at the moment, would be particularly critical. Now as we've wrapped up the feasibility studies on this idea, the next step is to establish a special committee on this matter. We'll see how to push forward this idea after Donald Trump comes into office."

No one needs a reminder of the difficulty in convincing President-elect Donald Trump, an outspoken opponent of free trade according to his campaign rhetoric, in accepting a proposal such as FTAAP. However, Tan Jian, a senior Chinese diplomat to APEC, says the Regional Comprehensive Economic Partnership, or RCEP, could be a fast track to promote Asia Pacific region-wide free trade.

As Tan explained to China Plus, "Amid rising trade protectionism across the world, all RCEP members are willing to speed up negotiations to reach a deal as early as possible. Progress has been pretty positive recently. A RCEP deal will promote trade and investment among its members, which in reality is a promotion of economic integration in the Asia-Pacific region. It is in line with the spirit of open economies, which has been advocated at the APEC Lima summit."

The 16-country RCEP is a proposed free trade agreement between the ASEAN bloc and the six countries with which ASEAN has existing FTAs. It has 12 members that are also part of APEC. The idea, viewed as an alternative to the Trans-Pacific Partnership, or TPP, is gaining growing attention as the prospect of the TPP looks set for failure before it has even begun.



Chile, China and some Serious Chats

During the Chinese President's visit to Chile as part of his 2016 tour of Latin America, observers from both sides expressed confidence that the Chinese president's third visit to the region would further enhance trade, the economy, and the overall bilateral relationship. Chinese Ambassador to Chile Li Baorong said that China-Chile relations are the strongest they've ever been, telling reporters that, "I think the two countries' bilateral ties have become more mature, and the cooperation has become more comprehensive in the last two years due to increased high-level exchanges. The relationship's strategic significance has also become more prominent."

Chile was the first Latin American country to establish diplomatic relations with China, the first to establish dialogue at the legislative level, and the first to sign a free trade agreement with China. Eduardo Goycoolea, executive director of New World Currents, an alliance of Chilean salmon farmers, said Xi Jinping's visit could bring more benefits to both peoples, "And his upcoming meeting with delegates from various industrial sectors in Chile is very important and beneficial to us. Chile is an export-led economy, with China accounting for 20 percent of our total export market. China is an important partner in trade and economy, so bilateral ties should be deepened."

China is now Chile's largest trading partner, export destination, and buyer of copper products, while Chile is China's second largest source of wine imports. Ambassador Li Baorong noted that trade between both countries can be measured in both quantity and quality. As Li explained, "In terms of quantity, trade volume has increased four times during the past 10 years after the Sino-Chile free trade agreement period. As for quality, the trade products become more diversified and our superior products have respectively entered into their prior market. The long-term friendly cooperative relations have also helped more Chilean products enter the Chinese market."

Chilean products including wine, fruit and seafood have all achieved great success and high growth rates in the Chinese market. The overall bilateral trade value was nearly 32 billion US dollars last year. Chilean Ambassador to China Jorge Heine hopes that a maturing bilateral Free Trade Agreement will cover more services and sectors in the future. As Heine pointed out that at present, "Our trade mainly involves commodities, as were covered by the FTA signed in 2005. Now we are turning to services. We want to cover things like e-commerce, financial services, government purchases and competition policies in the new version of the FTA. In general, we want the FTA to be better aligned with the development of the world economy." Heine also urged that the bilateral relationship should not be limited to trade and economy, but also other fields such as culture and people-to-people exchanges.

Prior to arriving in Chile on the last leg of his visit to Latin America in 2016, the Chinese President Xi Jinping was already able to boast that a series of collaborative agreements that had already been signed between the two nations. After meeting with Chilean President Michelle Bachelet in the Chilean capital of Santiago, Chinese President Xi Jinping discussed how the Chinese government wants to go about creating increased trade cooperation with Chile.

As Xi pointed out, "We have unanimously decided to promote our relationship to a comprehensive strategic partnership, opening a new page of China-Chile relations. We have agreed to strengthen high-level exchanges and consolidate mutual political trust. I've invited president Bachelet to come visit China next year. And we've all agreed to initiate talks on upgrading free trade agreements, as well as expanding bilateral cooperation in areas such as minerals, agriculture, infrastructure and new energy."

China and Chile signed the original Free Trade Agreement in 2005. Since going into effect in 2006, bilateral trade volumes have grown fourfold. Official figures reveal that China is Chile's main trading partner, with trade surpassing 30 billion US dollars last year. China is Chile's largest export destination and the largest buyer of its copper products, while Chile is China's second largest source for wine exports, with Chilean wine exports to China up nearly 50% last year.

Chilean President Michelle Bachelet has stated that expanding and updating the FTA makes sense for Chile. "Ten years ago, our countries signed a free trade agreement which has brought very significant benefits to both sides. Currently, China is our main economic partner and Chile is China's third business partner in Latin America. Today, 97 percent of Chilean merchandise enters China duty free and Chile has freed up the entry of 98 percent of Chinese products."

According to Victor Gao, Chair of the China Energy Security Institute, upgrading the previous FTA is highly necessary, "Mainly because the situation has changed quite a lot (since



Chinese President Xi Jinping (L Back) speaks while Chilean President Michelle Bachelet (R Back) looks on during a joint press conference after their talks in Santiago, capital of Chile, Nov. 22, 2016. [Photo: Xinhua/Lan Hongguang]

2006) and the original FTA was very much focused on trading with each other. But now, I think in terms of financial services, other services, as well as connectivity and infrastructure investment, mutual investment in each other's countries and trade protection for example, there are lots of other things that need to be discussed and incorporated into the original version of the FTA. If you look at China and Latin America as a whole, we are talking about major connectivity projects linking the Atlantic coast with the Pacific coast and in many of these blueprint ideas, Chile will be a country that needs to be connected within these mega infrastructure connectivity projects in the Latin American continent."

As for what direction the new FTA would take, Paul Gillis with the Guanghua School of Management at Peking University has said that it is likely that, "Any new agreement will further reduce tariffs and also focus on non-tariff trade barriers. China is Chile's largest trade partner; China buys most of Chile's copper and buys a lot of wine and agricultural produce." However, Gillis views the proposal for a new FTA as a result of regional issues. As Gillis explains, "I think this is largely a reaction to the election of Donald Trump in the US, and worries that Trump is going to put up barriers to global trade. It's all but certain that Trump is going to kill the Trans Pacific Partnership, which was going to

reduce trade barriers between the US and other countries that border the Pacific, excluding China. Chile was a big supporter of that deal and now that the US is pulling out I think it creates an opportunity for China to step in."

The Chinese President has said that he remains optimistic about expanding the relationship that China and Chile have to other parts of Latin America. In a subtle reference to China's continuing political drive to help developing economies and perhaps fill the space that America is leaving, Xi noted that, "China has not changed its position on the development of Latin America and the Caribbean. China firmly supports countries in this region who want to defend the stability, unity and development of this region." Last year, Chinese President Xi Jinping pledged 250 billion US dollars in investment over the next 10-years as part of a drive to boost economic ties with the region.

According to Gillis of Peking University, "China seems committed towards continuing down the path towards globalization." He also notes that while the US may have led the world down the path of globalization, the backlash against it has ultimately led to Brexit and Trump's election, and as the US looks set to pursue a new path, "China seems to be taking the place of the United States in this century, so I see a lot more trade deals being done by China, and I think many of those will be bilateral agreements like this proposed deal with Chile."



China and Ecuador's new political relationship.

2016 was the first time for China's top leader to visit Ecuador since diplomatic ties between the two countries first began 36 years ago. Xi's visit has led to the striking of a "comprehensive strategic partnership," a concrete acknowledgement of the fact that both nations have entered into a new political relationship with one another.

During his visit, the Chinese President met for discussions with Ecuador's Rafael Correa in Quito amidst growing bilateral ties between the two countries. In his talks with Correa, Xi Jinping described Ecuador as an important country within the Latin American region and went on to say that China-Ecuador relations have entered a key phase, where cooperation between the two countries is of greater importance to both sides. Xi spoke to journalists after his meeting noting that the two leaders had agreed to "elevate bilateral relations to the level of a comprehensive strategic partnership and to use this as a foundation to further deepen mutual strategic trust and guide bilateral cooperation in all areas."

As China's outbound investment grows, nearly 100 Chinese companies have set up shop in Ecuador. In recent years, bilateral cooperation has seen tremendous progress in sectors that include energy, mining and infrastructure. Up until a few years ago, Ecuador had been plagued with an ongoing shortage of electricity, prompting the government to spend billions of dollars to purchase power supplies from neighboring countries. However, with the support of Chinese companies, that is no longer the case.

Among Ecuador's eight hydropower plants, seven have been constructed with the support of Chinese companies, including the Coca Codo Sinclair project, the country's largest hydroelectric station. The project went into operation back in April, with an annual power generation capability of 8.8 billion kWh, which saves the Ecuadorian government 600 million dollars a year in extra expenses. Luis Ruales, a manager with Ecuador's national power company, says hydropower has completely changed the country's power supply landscape, pointing

Any country seeking growth, with China as a pacemaker in that aspect, will need to advance its education and scientific progress.

out that, "At present, the Coca Codo Sinclair plant alone is enough to meet more than one-third of our domestic electricity needs. With our hydropower stations, we can ensure the sufficient supply of clean energy and stable electricity prices. We can now even export power supply to our neighboring countries. The Coca Codo Sinclair plant is a highly important project to Ecuador."

Ecuador's Ambassador to China, José María Borja says that traces of the growing bilateral trade and exchanges between the two countries can now be found in the daily lives of both peoples. In explaining the importance of the trade relationship, Borja notes that, "60% of Ecuador's shrimp production is exported to China. China is also one of the biggest buyers of our bananas. When we talk to people from China, usually they mention two things, our bananas and our football. We also export many other products to China, such as fresh flowers, mangos, and many other items."

However, bilateral trade volumes are quite low, as Ecuador is home to just 16-million people; a population smaller than Beijing. But the Ambassador says China-Ecuador cooperation extends beyond economics, citing support in the area of scientific development as evidence of this extended approach. "Any country seeking growth, with China as a pacemaker in that aspect, will need to advance its education and scientific progress. We hope that our two countries can further enhance our cooperation in this important area."

There are currently around 500 Ecuadorian students in China, with most pursuing undergraduate degrees, but some seeking post-graduate degrees. Meanwhile, in Ecuador's capital Quito, the prestigious Universidad San Francisco now hosts a Confucius Institute, introducing students to the Chinese language and culture.

Back in April, after Ecuador was hit by a 7.8-magnitude earthquake, the Chinese government immediately sent over 2 million dollars in aid and nearly 9 million dollars-worth of relief goods. Chinese companies investing in Ecuador and the local Chinese communities also stepped up to help.

With regard to the historical significance of President Xi's visit to the country, Mateo Bonilla, a social researcher in Ecuador, says, "In the past decade, China-Ecuador relations have become increasingly important. We have witnessed China's rise, which is a remarkable process."

President Xi Jinping's visit is of the highest level in bilateral relations, and the two sides (discussed) important cooperation deals. We also thank the Chinese government for the relief aid they provided to us after the earthquake. We also want to use this opportunity to thank the Chinese people."

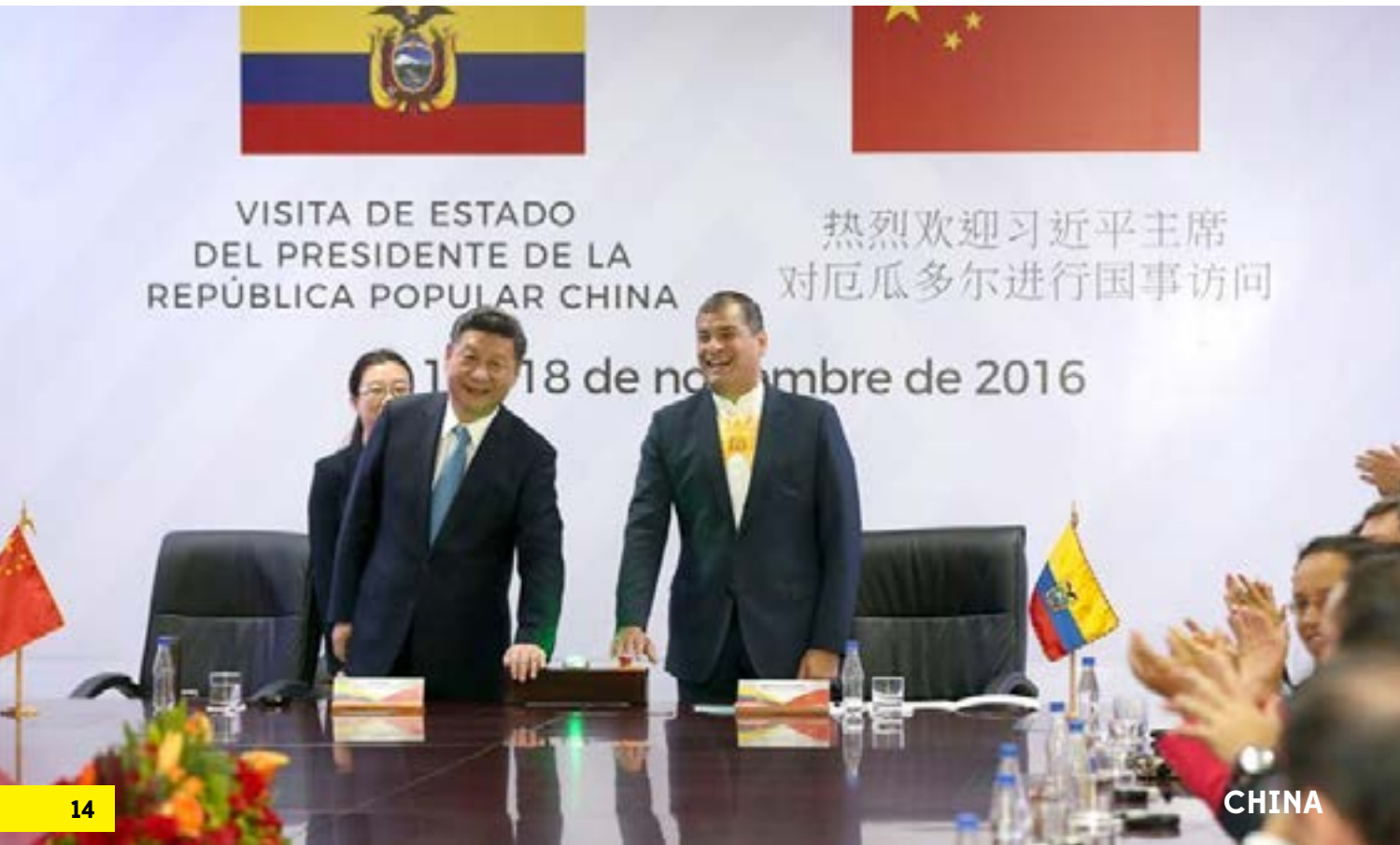
Aside from helping out with aid, Ambassador Borja also points out, "Chinese companies have also participated in the building of our highways, bridges and schools. Oil is one of Ecuador's most important natural resources. Chinese firms have also been involved in the exploration and production of oil in Ecuador, with China National Petroleum Corporation and Sinopec being the most notable ones. China's Great Wall Motor Company has also brought its manufacturing capabilities to our country."

But beyond commodities and infrastructure, the Ecuadorian Ambassador says tourism is another area that the two countries can work on, stating that, "Last year, 16,000 Chinese visitors came to Ecuador, and we expect the number to surpass 18,000 this year. Ecuador is a small country, but we have four geographically distinctive regions – the Pacific coast, the Interandean Mountains, the Amazons and the Galápagos Islands." Starting earlier this year, China and Ecuador have been implementing a bilateral visa-free policy for regular visitors between the two countries.

Last year the two leaders signed agreements to work towards closer trade and strategic ties during Rafael Correa's visit to Beijing. Following the signing of a new series of bilateral agreements this year, Correa stated that, "Thanks to this cooperation with China, particularly in regard to finance, Ecuador is more sovereign. It has better capabilities and resources; it is better prepared to build a more just and prosperous country for everyone."

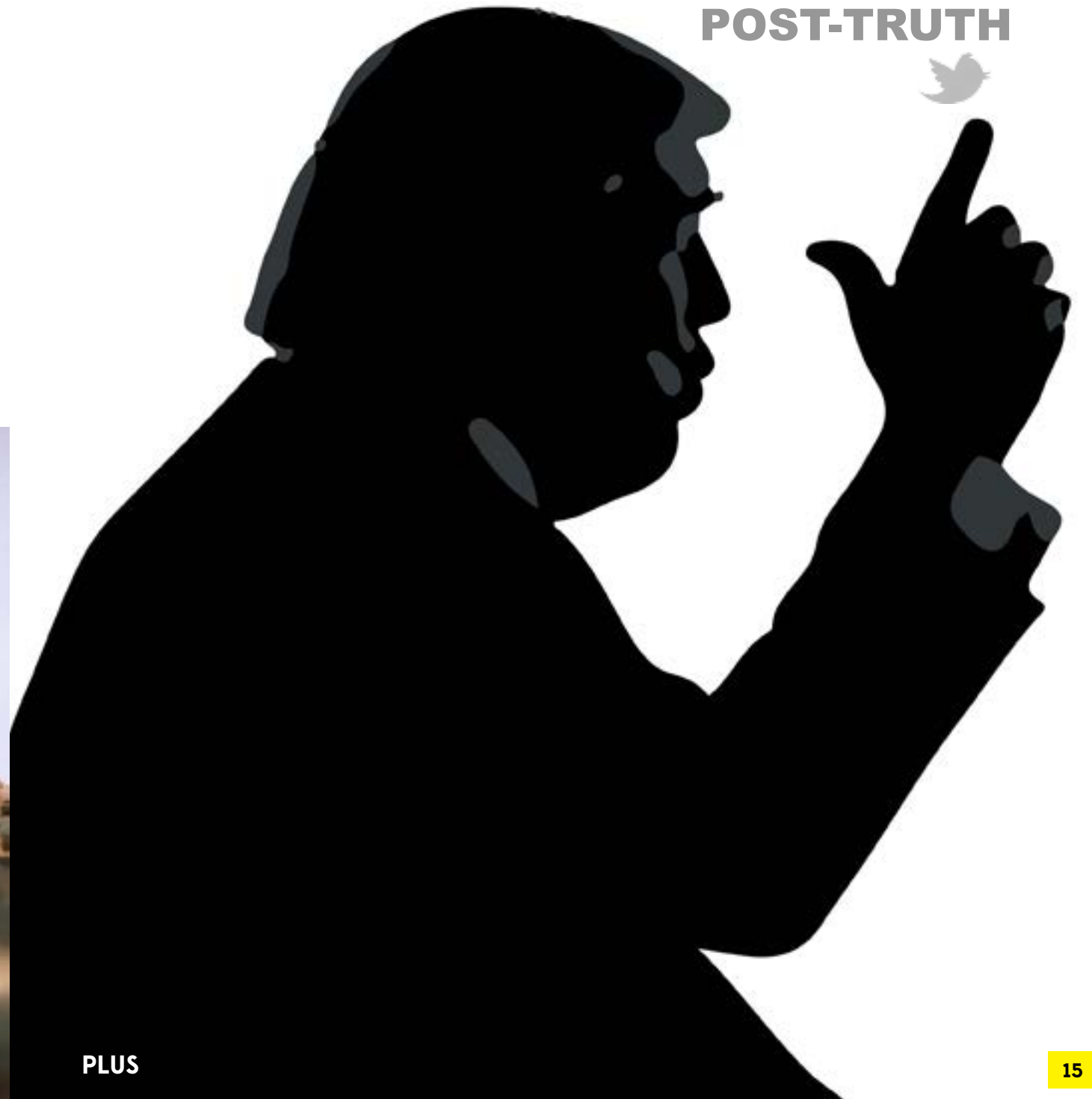
Eleven agreements were signed in total during the Chinese president's visit including four financial agreements, one political agreement, one covering communication, one covering culture, two covering strategic production and one concerning cooperation following April's earthquake. China is now Ecuador's third-largest trading partner, with two-way trade topping 4 billion US dollars last year.

Chinese President Xi Jinping (L) and Ecuadorian President Rafael Correa press buttons to inaugurate the Coca Codo Sinclair hydroelectric plant, in Quito, Ecuador, Nov. 18, 2016. [Photo: Xinhua/Ma Zhancheng]



CHINA US RELATIONS POST-OBAMA

POST-TRUTH



Storm Clouds Ahead? - Trying to Make Sense of an Uncertain Future

After 8 years of dealing with the Obama administration, China is uncertain as to how US-China relations will continue to develop following the election of Donald Trump. Trump's campaign rhetoric has certainly cast doubt on the current state of relations between the US, though many observers from both sides are keen on stressing that a mutual need to uphold the current state of relations will prevail.

During a gathering held by the US-China Policy Foundation in Washington DC, following the election of President-elect Donald Trump, officials and observers in attendance suggested that although uncertainties do exist in the US-China relationship following the US general election, the maintenance of a healthy relationship still serves the interests of both sides.

Some 200 diplomats, business leaders, scholars and media professionals attended the US-China Policy Foundation gathering and as expected, the future relationship between China and the United States under a Trump administration was the main focus of discussion. Whilst so-called "China bashing" is a common political tool used during US election cycles in an effort to garner votes, the specifics of Trump's rhetoric, including remarks on China's currency and tariffs on Chinese imports, has many observers wondering what the future holds.

Chinese ambassador Cui Tiankai, who was among those attending the event in Washington, took time to try to ease concerns from the Chinese side. Cui noted that the relationship between the two countries has remained pragmatic over the last 40-years, pointing out that it has already survived 8 different US Presidential transitions from Nixon to Obama. Cui explained that, "Frequent and frank exchanges will further consolidate the basis of the relationship and inject more impetus to its future development." But Cui also conceded that, "We fully recognize that it is almost impossible for any two countries to see eye-to-eye on everything at all times."

Cui also noted that in their first telephone conversation, Chinese President Xi Jinping and President-elect Donald Trump agreed that cooperation between the US and China has important opportunities and great potential. While the precise details of those talks have not been revealed, William Jones with the Executive Intelligence Review suggests it is the policy direction that Trump has already talked about which could be of interest to China.

As Jones elaborates, "The short discussion [Trump] had with President Xi was very interesting. But more interesting was when he was elected president, the speech that he gave in accepting the nomination had some very interesting things in it, including the insistence on moving towards infrastructure. Now, I see that as a possible bridge point with what China is doing on the Belt and Road. That (concerns) infrastructure. And if the United States is also committed to something like that, it would seem to me that there could be an agreement in principle."

We each think it's not in our interests to get into a confrontational relationship

Whilst many at the event focused on areas of optimism, others such as respected former diplomat and distinguished scholar J. Stapleton Roy, Founding Director Emeritus of the Kissinger Institute on China, concedes that there are still a lot of unknowns at the moment when it comes to Trump. As Roy explained, "We each think it's not in our interests to get into a confrontational relationship with the other and I would expect that to continue. We'll have to wait and see who (Trump) selects as his secretary of state, who the top advisors will be on Asian issues, so there are many things we don't know yet."

However, regardless of staff appointments, David Lamp-ton with Johns Hopkins University, says there remains one overriding certainty; "I think if you're serious and think about the long-term consequences, you'll conclude that it's important that China and the United States try to get along."

Easing Investor Concerns

By Victor Gao

A delegation from the US state of Michigan toured China shortly following the election of Donald Trump in an attempt to attract Chinese investment, as well as tourists. Those who joined the trip, which was purposefully timed, attempted to calm possible Chinese investor concerns about doing business in the state following Trump's surprise victory.

Michigan Governor Rick Snyder led the delegation, marking his 6th annual investment mission to China since taking office in 2011. Speaking in Beijing, Snyder said that he had timed the trip right after the recent US presidential election in order to show his state's commitment to creating a healthy environment for Chinese businesses, regardless of the overall political landscape in the US.

As Snyder pointed out to journalists in attendance, "That was one of the things we looked at, when we looked at the timing of this visit for this year. I wanted to do it after the election because I didn't know which (candidate) would get elected. But I believed it was a good opportunity to say as a state we see great value in all the relationships we have been building at a subnational level and how those should continue."

Snyder added that his recommendation to President-elect Donald Trump was to maintain a strong and positive relationship with China. Since Snyder's first trade mission six years ago, Michigan has received approximately 650-million US dollars in new investment from China. Adding on mergers and acquisitions, that figure reaches 3 billion dollars in total.

Michigan is the base of the US auto industry, home to both General Motors and Ford. Recent Chinese investment in the state has mainly focused on automobile manufacturing. The Michigan's delegation's visit to China allowed for the introduction of the state's latest promotional campaign called "Planet M," with the M understandably standing for Michigan. The plan itself is an attempt to try to re-brand Michigan as a hub of transportation innovation, with a focus on developing connected and automated vehicles.

Mike Duggan, Mayor of Detroit, the most populous city in Michigan, was a member of the

delegation and journeyed to China with the intention of promoting the economic recovery of his city. Back in 2013, Detroit, around 20-billion dollars in debt, filed for the largest municipal bankruptcy in US history under the previous mayor. The bankruptcy was eventually settled with the city's major creditors. But now, billing Detroit as America's "Great Comeback City," the new mayor says the city has been showing signs of economic rejuvenation and according to Duggan, "We are seeing business investment come back in a huge way, including the national research institutes for lightweight metals and composites that go in the next generation of cars. And we are seeing thousands of young people, millennials, in their 20s and 30s, moving to Detroit, from around the country, and around the world, to start new businesses and engage in new enterprises."

During the delegation's visit to Shenzhen, the two sides entered an Economic Partnership MOU, with the goal of establishing a new Michigan-Shenzhen Trade, Investment and Innovation Corporation Center. That project will focus on innovation and product development between Michigan and Shenzhen.

Away from the issue of trade, however, another major goal of the tour by the Michigan officials was to attempt to highlight the natural beauty and cultural offerings of Michigan to Chinese tourists. Situated along four of the five Great Lakes, the state's 51-hundred kilometers of freshwater shoreline is the longest in the world. Michigan's Sleeping Bear Dunes have been dubbed by some as the "most beautiful place in America." It is hoped that promoting these facts could earn the state a portion of the Chinese tourism pie, as more and more Chinese tourists are looking for suitable locations at which to spend their ever-increasing disposable income.



Maintaining Momentum

In today's uncertain political times, prior to President-elect Trump being sworn into office, China says the momentum and desire for such cooperation will not change regardless of leadership changes in the US. During the 27th Joint Commission on Commerce and Trade (JCCT), held in Washington DC in November, representatives from China and the US hailed the achievements that have been made.

Vice Premier Wang Yang earlier this year reassured US business circles that China will maintain its opening-up policy, saying there is tremendous potential for further cooperation. Wang made the remarks ahead of this year's JCCT. Wang pointed out that, "During the 8-year-tenure of the Obama administration, despite an inclement environment for world trade, bilateral trade between China and the United States actually gained strong momentum and registered an annual increase of 7%."

For instance, 22% of all cotton and 56% of all soy beans produced in the United States last year were exported to China. Meanwhile, more than a quarter of the aircraft made by Boeing were sold to China. US trade representative Michael Froman has noted that US exports to China witnessed an eleven-fold-increase from 2000 to 2015 while China's exports to the United States increased seven fold.

But there is still huge room for further improvement and future cooperation. Wang Yang said the two economies are complementary, and that the existing terms of cooperation have provided millions of jobs for both countries. However, the Vice Premier also acknowledged that with an increasingly closer trade relationship, an increasing number of disputes have emerged between the two sides. "Handling our disagreements in a positive way and solving the disputes effectively is a dynamic engine towards promoting China-US economic cooperation," Wang stated.

The Vice Premier also reassured US business leaders that China will stick to its opening-up policy and elaborated on China's efforts in this regard, including the negotiation of a Bilateral Investment Treaty and the establishment of the Shanghai Pilot Free Trade Zone. Furthermore, according to Wang, opening-up does not only mean encouraging

foreign investment to China, but also encouraging Chinese enterprises to go out and invest overseas. He said he hoped the US government would also create a favorable environment for Chinese investment.

As for the achievements of the JCCT, Zhang Xiangchen, China's Deputy International Trade Representative, said that a consensus had been reached on innovation policy, adding that, "The two sides confirmed that in terms of their respective security measures with regards to the commercial sector concerning Information Communication Technology, they will not adopt unnecessary discriminatory practices or unnecessarily limit foreign ICT products, services, technologies and orderly flow of information."

Both sides touched upon a wide range of issues and explored ways for future cooperation during the meeting and US Secretary of Commerce Penny Pritzker highlighted the progress made in the areas of pharmaceuticals and medical devices, and the future of the semiconductor industry. As Pritzker pointed out, "China committed to treating both domestic and foreign medical devices the same in regards to procurement, which will level the playing field for American companies who sell their products to China."

However, Chinese vice-minister Qu Dongyu went on record saying that no tangible breakthrough had been made in the field of agriculture, largely due to the different challenges that the two countries are facing. But he is optimistic that there is a strong desire for further cooperation from both sides to secure the food supply and deal with climate change, despite noises from the Trump transition team regarding views on global warming and the possibility of withdrawing from the Paris Climate Change Agreement.

The 27th JCCT meeting is the last of the Obama administration and during the last 8 years, bilateral trade maintained an average annual increase of 7% against a sluggish world economic recovery. Despite political uncertainty in the United States, Zhang Xiangchen remains confident that Sino-US economic ties will continue to grow stronger, stating that, "Regardless of how the leadership changes in the United States, the shared interests of our two countries far outweigh our differences. And our two countries are complementary to a high degree in terms of economic cooperation; and this has brought tangible benefits to our two business communities and to our two peoples. This reality will not change as a result of the election. Both sides have a strong desire for further cooperation; this will not change."

What's Worse, THAAD or Nukes?

Earlier this year, both China and Russia accused the United States of damaging global and regional stability with its missile defense plans. Military representatives from China and Russia made the remarks at a press briefing jointly held by both armed forces on the sidelines of the 7th Xiangshan Forum in west Beijing, which took place in October.

Maj. Gen. Cai Jun from the Joint Staff Department under China's Central Military Commission criticized the US plan to deploy the Terminal High Altitude Area Defense missile shield system, or THAAD, in South Korea. Cai said the deployment of the advanced missile defense system is not conducive to settling the nuclear issue on the Korean Peninsula, and may in fact hinder efforts for nuclear disarmament and nonproliferation, thus triggering a new arms race.

Maj. Gen. Cai noted that, "The decision to deploy a THAAD system in South Korea apparently does not conform to its alleged purpose, and will seriously damage the national security interests of countries including China and Russia. China resolutely opposes the THAAD plan and strongly urges the US and South Korea to change their minds. Both China and Russia take a similar stance on the issue, opposing the indefinite deployment of such systems by any countries or groups. Such deployments could damage the global strategic balance and even lead to a deterioration in the global security environment."

Lt. Gen. Viktor Poznikhir from the Russian military's General Staff said that the US plan to deploy the anti-missile system is aimed at curbing both Russia's and China's strategic nuclear strength and consolidating its own hegemony. In a strongly worded condemnation of the US plan, Poznikhir stated, "We have carefully analyzed the US missile's ability to conduct warfare and its deployment situation. What I want to stress is that such anti-missile systems negatively affect the strategic stability of both Russia and China. Claiming to defend against missiles from Iran and North Korea, the anti-missile systems to be deployed by the US near the boundaries of Russia and China are not purely defensive but rather an assault, strategically."

China and Russia have already announced that they will hold their second joint anti-missile drill

next year. Cai Jun said the details regarding the drill are still under discussion, adding, "The purpose of the drill is to improve both countries' abilities in anti-missile and air defense, which is of great importance in dealing with air-and-space threats. We stress that the drill does not target any third party." The first joint anti-missile drill, a computer-assisted event held by the two countries, took place in May 2016.

During a speech given during the Xiangshan Forum's opening ceremony, Chinese Defense Minister Chang Wanquan noted that China has urged all countries to act multilaterally, not unilaterally. "It's an urgent task for all of us to abandon the outdated Cold War mentality. Instead, we should establish a new type of security concept that focuses on common interests, a comprehensive outlook, cooperation and sustainability. We should all adhere to the purpose and principles of the UN Charter, to the principle of multilateralism, and to solve disputes through dialogue and consultation."

However, the context within which these critical remarks were made was an Obama Administration, which had previously outlined a Pivot to Asia as a major goal of US foreign policy. It is now safe to say that no one is quite clear what the future holds with regards to US Foreign Policy and its future role within the Asia Pacific Region. Furthermore, it is believed that President-elect Trump will also move to ease tension amongst the US and Russia, though in what ways he could achieve this no one is quite certain.

Meanwhile, President-elect Trump's anger at treaties such as NATO, his dissatisfaction with the amount of money that the US spends on bolstering the defense of countries like Japan and South Korea, and his calls for these two countries to possess nuclear weapons has left some scratching their heads about the future direction for security within the Asia Pacific Region. Though THAAD is an unacceptable proposition for China, the possibility of South Korea and Japan possessing their own nuclear weapons is almost certainly far worse.



With TPP's Death, China Readies Itself to Lead Protectionism

By Xu Qinduo

The US President-elect Donald Trump has announced the official death of the Trans-Pacific Partnership, a 12-member trade group led by the outgoing Obama Administration. Thanks to Mr. Trump's outspoken nature, the uncertainty regarding the fate of TPP has come to a conclusion.

During this year's APEC summit in Lima, the capital of Peru, there were some suggesting that the TPP could go ahead even without the participation of the United States. But this presumption has also been put to bed following remarks from Japanese Prime Minister Shinzo Abe who said that TPP would be meaningless without the presence of the US, which is the largest economy in the group. So, what are the alternatives to TPP?

When addressing the Lima summit, Xi Jinping called on the APEC economies to stay committed to globalization and openness. He noted that, "Building a free trade area of the Asia-Pacific is a strategic initiative critical for long-term prosperity."

The free trade area referred to by the Chinese leader is better known as FTAAP – Free Trade Area of the Asia-Pacific, which was launched at the 2014 APEC summit in Beijing. The trade deal is so ambitious that it includes all 21 APEC economies.

Though a collective feasibility study has been completed this year, FTAAP's future is not that promising. For one thing, the United States is one of the members. Under the watch of Donald Trump, many believe that Washington is unlikely to sign up to any multi-lateral free trade deal in the wake of TPP. Therefore, the hope for the conclusion of FTAAP in the next four years is simply unrealistic.

In contrast, the Regional Comprehensive Economic Partnership, or RCEP, which is led by the Association of Southeast Asian Nations (ASEAN) and supported by China, is relatively more achievable. Tan Jian, a senior Chinese diplomat to APEC, says the RCEP, could be a fast track to promoting Asia

Pacific region-wide free trade, as all members are "willing to speed up negotiations to reach a deal as early as possible."

There's no lack of criticism surrounding RCEP. The Economist has claimed that it is "far less ambitious, focusing on the basic business of cutting tariffs rather than more complex regulations." But such criticism is misguided and the critical thing at the moment is to maintain the momentum of free trade and globalization amidst a strong surge of protectionism in many developed countries. The low threshold of RCEP will actually make it possible for an earlier conclusion of negotiations to be reached.

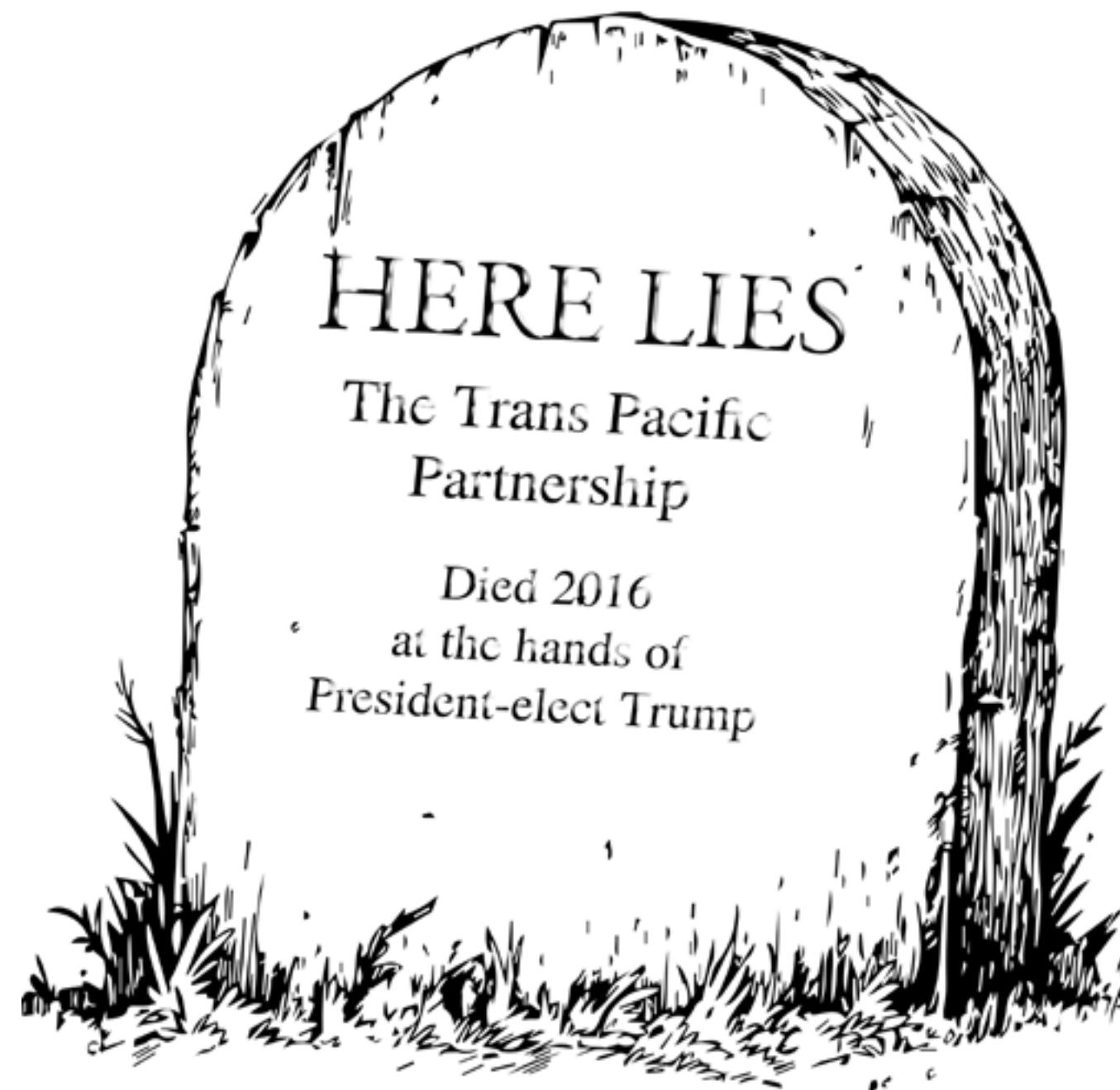
The failure of TPP was on the cards for some time, especially following the election victory of Donald Trump, who campaigned partly on the US withdrawal from the deal. From a larger perspective, TPP has been a victim of rising populism, which in general is against free trade and globalization.

This trend has led to tremendous sense of frustration, anxiety and even despair in the Asia-Pacific region, which hosts the most dynamic and growing economies. With the absence of the US, the responsibility to fight for free trade and globalization now falls on the shoulders of the Chinese.

China is a natural choice to assume the leadership role vacated by the US. It has advocated for more investment in infrastructure and better connectivity in Asia under the funding of the Asia Infrastructure Investment Bank. It launched "One Belt One Road" initiative — the Silk Road Economic Belt and the 21st Century Maritime Silk Road, which link China to countries in central Asia, Southeast Asia, Europe as well as Africa.

Chinese leader Xi Jinping said that, "China will not shut its door to the outside world but will open them more." The message is reassuring. Beijing has been in the driver's seat for RCEP. Now its role is becoming more critical in turning the tables for the sake of free trade and globalization.

The low threshold of RCEP will actually make it possible for an earlier conclusion of negotiations to be reached.



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Editor-in-chief	Stuart Wiggin
Design & Layout	Stuart Wiggin
Additional Design	Cui Chaoqun
Executive editor	Wang Lei